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MANAGEMENT REVIEW OF THE
AGENCY DISPOSAL OF PROPERTY

1. PROBLEM

To determine whether the Agency disposal of property is effectively controlled and properly documented and the need of management for a consolidated central record of information on all disposal transactions Agency-wide.

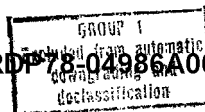
2. PROBLEM DELIMITATION

This management review concerns only personal property, hereinafter referred to as property, and does not involve real property. No effort has been made to review the activities of proprietaries, such as [] which may carry out transactions amounting to disposal of specific items or categories of property. Implementation of a recommendation contained in this review concerning revisions of procedural instructions will involve coordination with DD/P elements. In accordance with preliminary discussions, however, representatives of DD/P were not contacted in connection with this review.

3. BACKGROUND

- a. Under the terms of Agency regulations, certain broad authorities have been extended to field stations and bases for the disposal of property without instructions or approval from headquarters. These regulatory authorities are applicable primarily to the disposal of unserviceable property, defined in [] as that property which is unserviceable and uneconomically repairable, and also that which has been condemned or compromised. Extracts from Agency regulatory material relevant to property disposal authorities and controls are included under Attachment 1.
- b. The regulatory authorities are limited in that they do not apply generally to the disposal of all categories of property, and headquarters instructions or approval are required by regulation prior to disposing of the following:
- (1) Excess property, defined in [] as that which is excess to the needs of a station or base, or that which is economically repairable and on which repairs cannot be accomplished in the immediate area.

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(2) Motor vehicles and regulated items, unless they have been condemned or compromised.

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- c. The regulatory limitations on disposals may be waived, however, under the provisions of [] by delegating authority to specific field stations and bases for disposal of excess property, motor vehicles, and regulated items. Over the years, considerable use has been made of the delegation of authority mechanism and some examples are included under Attachment 2. As shown by the examples, the Chiefs of the [] Stations have comprehensive authority, beyond that provided by the regulations, to dispose of excess property and various regulated commodities. Examples of broader authorities, as to the number of stations involved, are those delegated to all Far East stations for disposal of motor vehicles and window-type air conditioners.

4. DISCUSSION

- a. In the light of the background examination of regulatory provisions and delegations of authority, it is apparent that the Agency trend has been toward a decentralized property disposal program. A similar trend is reflected in property procurement policies, procedures, authorities, and responsibilities. Although the trend has been in this direction, complete decentralization has not been reached and, from a logistics standpoint, there are basically two disposal transaction and information systems now in effect. A summary chart description of the two systems and supplemental detailed information are included in Attachment 3.
- b. The decentralized system has been developed under controls and constraints established in regulations and delegations of authorities. It is applicable to certain kinds of property disposals and is in full effect only at Type I and II property account installations. Information of a logistics nature which identifies the material disposed of normally remains at the field installation concerned.
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- c. A centralized system exists to the extent that the Office of Logistics is cognizant of all disposal transactions at headquarters, [] and Type III property account installations [] and also of some property disposals at Type II installations []. With one notable exception, however, information available or rendered to the Office of Logistics under the centralized system is not compiled in a central file or record. The exception is motor vehicle disposals. [] specifies that "the Office of Logistics shall maintain the official record of motor vehicles." Accordingly, data on all motor vehicle disposals, Agency-wide, are channeled centrally to the Office of Logistics and are maintained in centralized motor vehicle files in the Supply Division.

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- d. In summary, a substantial segment of disposal transactions may be authorized unilaterally in the field and recorded information concerning the transaction often remains in the field under the decentralized concept. Accordingly, the Office of Logistics directorate has expressed a positive management need for a consolidated central record of property disposals which will serve as the basis for periodic analyses of disposal transactions Agency-wide by materiel category. *Who?*
- e. In this connection, the Office of Finance has procedures in effect whereby information on the dollar value of property transactions Agency-wide is compiled centrally in that Office and is used in preparing a dollar analysis each fiscal year on the "Inventory Activity of Personal Property." A portion of this analysis pertains to dispositions of property, and extracts from the pertinent portion of the FY 1968 analysis are included as Attachment 4. The feeder information is received by the Office of Finance under the financial property accounting procedures contained in ^{25X1}. The feeder information received and the resultant analyses are concerned primarily with dollar amounts "at the current carrying value" and do not identify disposals by materiel category. This centralized information system has been specifically designed for, and is undoubtedly of value to, Agency financial management. In its present state, however, it does not have application to property disposal from a logistics management standpoint.
- f. During the course of this study, a series of meetings and discussions were held with representatives of other Agency components and Office of Logistics elements having support and control interest in the areas of property management and accounting and procurement planning, as well as property disposals. Discussions were sought with individuals having a sufficient depth of firsthand experience in one or more of these areas to provide a competent opinion as to whether improved procurement planning, stock management, and property control might be a corollary of maintaining a consolidated central record of disposals. The identity, by component, of all individuals contacted is listed in Attachment 5. Opinions received during these discussions were unanimous in that none could identify or foresee any positive improvement to be realized within their respective areas of expertise and endeavor by having access to such a record. Following are highlights of other related information obtained from the discussions:
- (1) The Audit Staff, Office of the Inspector General, representatives could not substantiate any need for consolidated disposal records despite the fact that they were advised that the Inspector General has suggested such records as a very useful tool. A copy of the Inspector General's memorandum on this matter is included as Attachment 6. Further, the auditors believe that field officials, overall, are

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acting with integrity in authorizing disposals unilaterally and in maintaining proper documentation when disposal transaction information remains in the field. In general, they feel that the decentralization of disposal authority is working well, and that the trend toward expansion of this concept should continue.

- (2) The Chief, Accounts Division, Office of Finance, agrees that a consolidated record of disposals by materiel category should prove useful to logistics management. He sees no specific need for such a record for the Office of Finance, however, since that Office already has a centralized information system on disposal dollar values which fulfills financial management needs (paragraph 4.e. above). Further, he offered to assist the Office of Logistics by expanding the present Office of Finance centralized information procedures so as to obtain additional specific data on disposals as to materiel category and condition of the property. This proposal was explored in greater depth with another representative of the Accounts Division and a member of the Policy and Planning Staff, Office of Finance. It was agreed that the expansion could be carried out, but, to do so, would impose a completely separate information gathering and flow system on the Office of Finance, for which it has no specific need. *How?*
- (3) As a result of the Inspector General's reaction (Attachment 6), there has been considerable discussion and some internal correspondence within the Office of Communications concerning a consolidated record of disposals. Basically, that Office considers such a record to be an after-the-fact approach and questions the value versus cost and effort to compile such a record. Improved equipment programming is believed, by the Office of Communications, to be a better approach. As envisioned, such an improvement program will result in the disposal of obsolescent equipment in a timely and orderly manner. This, in turn, will preclude the prevalent tendency to hoard outmoded communications gear and accumulate inventories larded with "junk." The Office of Communications contends that it is the spasmodic and occasionally drastic purges of these accumulations which draw reactions such as that of the Inspector General. This viewpoint is considered commendable insofar as ensuring that specialized equipment with a high obsolescence rate is retained only for such time as its use is advantageous to the Agency in comparison to newly developed, more sophisticated equipment. It will not serve as the approach to the distinct management problem at hand, however, in determining that property disposals Agency-wide are effectively controlled and properly documented.
- (4) Discussions with Supply Division, Office of Logistics, representatives were carried through on a continuous basis during this review due to the primary role and extensive firsthand experience of that Division in the field of property disposal.

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Essentially, the opinions expressed by the Supply Division representatives are the same as those of the auditors. They believe that the decentralized authority is exercised with integrity and that disposal transactions, including those authorized unilaterally in the field, are effectively controlled and properly documented in accordance with applicable regulations and delegations of authority.

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- (5) During these discussions, the Supply Division was advised that the Office of Logistics directorate has taken a positive management position on the need for a consolidated central record of disposals. This position remains unchanged despite an absence of expressed interest on the part of other Agency components. Further, it is expected that this record be maintained in such manner that summary analysis reports, similar to that outlined in Attachment 7, will be produced not less than annually by the Supply Division for such use as the Office of Logistics directorate determines appropriate.
- (6) As evidenced by the memorandum in Attachment 8, the Supply Division is considerably less than enthusiastic concerning the potential value of the central record and the periodic analysis reports. The possibility of DD/P resistance is also pointed out; particularly to an information system which would require field installations to compile and submit additional feeder reports on disposals. To minimize the possibility of such DD/P resistance, the Supply Division proposes an alternative (paragraph 3, Attachment 8) whereby Agency installations would be required to submit only a copy of the documentation pertinent to each disposal. The documentation copies received would then be used by the Supply Division in compiling the consolidated central record.
- (7) This alternative is considered to be the better approach. Attaining the results in this manner, however, will levy some additional workload on the Supply Division, estimated to be equivalent to one man-year. This additional work will actually be dispersed among several employees, and the Supply Division expects that it will be necessary to accomplish this work with existing personnel strength.
- (8) [] which will require procedural instruction changes to implement the flow of feeder documentation are also identified by the Supply Division (paragraph 1, Attachment 8). As a prelude to changing the handbook instructions, it may be well to consider the possible advantage of establishing a regulatory base for the consolidated central disposal record similar to that which formulated the basis for the central motor vehicle record []. 25X1
- A brief regulatory responsibility statement could specify to the effect that the Office of Logistics shall maintain the official record of Agency disposals. Any changes required in procedural instructions could then be issued under this regulatory charter with minimal resistance and concurrence problems.

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- (9) The possibility of obtaining disposal information from all Agency installations under planned automated data feeder subsystems of the Support Information Processing System (SIPS) was discussed with the Planning Staff representative (Attachment 5) who is coordinating on the Office of Logistics aspects of this system. In his opinion, data flow on disposal transactions and a central record can eventually be established under SIPS as installations Agency-wide are gradually phased into that system. This is looking far ahead into the future, however, and there is no immediate, practical alternative to the traditional methods described in this review for collecting feeder information on disposals from Agency installations.

6. CONCLUSIONS

- a. On the basis of assurances and confirmation obtained from the Audit Staff, Office of the Inspector General; Accounts Division, Office of Finance; and Supply Division, Office of Logistics, it is concluded that the Agency disposal of property is, in general, effectively controlled and properly documented under both the centralized and decentralized authorizing systems now in effect.
- b. Although these assurances are encouraging, Office of Logistics management does not have a central source of information whereby either the overall scope and volume of property disposals can be determined or analyses made of such pertinent logistics factors as the materiel category, condition, method, valuation, and locale of such disposals.
- c. A consolidated central record of disposal information and the analyses to be derived from this information will fulfill a positive need of Office of Logistics management in carrying out its responsibilities concerning property procurement and inventories, as well as dispositions. *Who?*
- d. When Office of Logistics management has determined, through experience, that the consolidated central record has been perfected to the point that it will serve as an effective monitoring mechanism for disposals Agency-wide, consideration and study should then be directed toward the feasibility of an orderly expansion of the decentralized system for authorizing disposals. *What are we doing at?*

7. RECOMMENDATIONS

It is recommended that:

- a. The Chief, Supply Division, initiate a program, based on the submission of disposal documentation by Agency installations, for maintaining a consolidated central record and preparing periodic analyses of property disposals Agency-wide.

- b. The Chief, Supply Division, develop and coordinate the publication of any Agency regulatory and procedural instruction changes which will facilitate the establishment and continuation of the consolidated central record.
- c. The Director of Logistics give consideration toward expanding the decentralized system for authorizing disposals when experience with the consolidated central record has proven that it will be an effective monitoring mechanism for disposals Agency-wide.

8 Atts

The recommendations contained in paragraph 7 are approved.

Signed: George E. Meloon

22 SEP 1969

George E. Meloon
Director of Logistics

Date

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"Inventory Activity of Personal Property for Fiscal Year 1968"
5. Individuals Contacted
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